

# Ethical Leadership

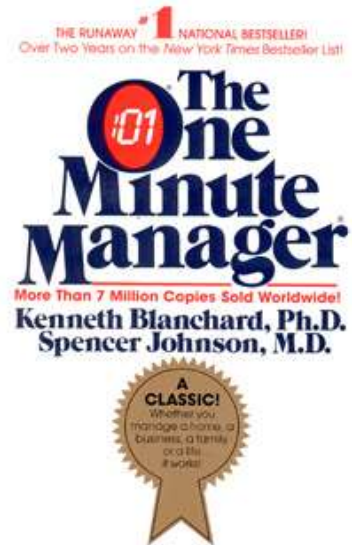
## Discussion

- What traits come to your mind when you think of an ethical leader?

## Ken Blanchard

- Author, consultant, speaker
- *The One Minute Manager* has sold over 15M copies

- <https://www.youtube.com/watch?v=ctZHSa4Qhd4>



## Servant leadership

- Serve first, lead second
- Most effective leaders are good human beings who care about people
- Listen more than talk

## Tips to success

- Self assess at the end of each day – Praise and redirect yourself
- Focus on significance instead of success
  - Significance is tied to generosity, success is tied to money
- Enter your day slowly, and with intent
  - Be intentional. Don't get caught in the rat race

## Three key aspects of being a leader

- Set clear goals
  - People need to know what they must try to accomplish
- Praise others
- Redirect
  - Point out the issue, ask for their opinion, ask how you can help them get back on track
- Which one could you most improve on?

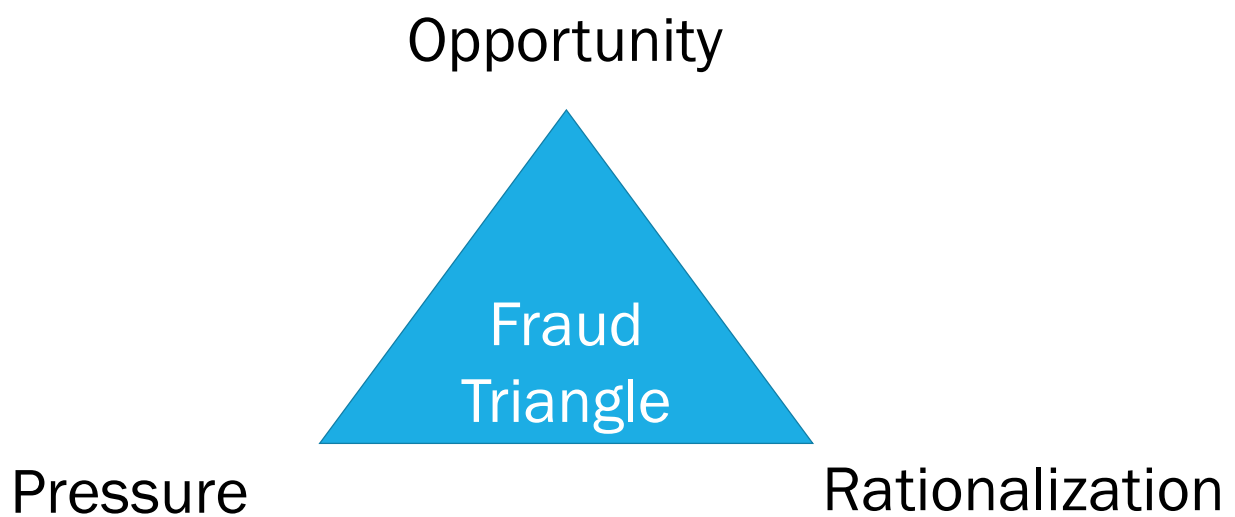
# Reducing the risk of fraud

## Discussion

- Why do people commit fraud?

## Common Frauds

- Embezzlement
  - Rita Crundwell
- Insider Trading
  - Scott London
- Foreign Bribery
  - Wal-Mart Mexico
- Bribery of Government Officials
  - Ray Nagin
- Falsified Financials Statements
  - Autonomy



## Case Study

- Your spouse serves as the President for a small non-profit organization in your local community
- The Treasurer abruptly resigned and community members have encouraged you to take on that role given your financial savvy
- The non-profit does not have an active board of directors
- You indicated you would not be comfortable taking on the role and they asked you what would need to change so that you could do so?

## Conflicts of Interest - Three steps as prescribed by the AICPA's Code of Conduct:

- Identify a conflict of interest
- Evaluate a conflict of interest
  - Significance of threat/safeguards. If not at acceptable level, must apply more safeguards
    - Restructuring or segregating certain responsibilities and duties
    - Obtaining appropriate oversight
    - Withdrawing from the decision making process related to the matter giving rise to the conflict of interest
    - Consulting with third parties, such as a professional body, legal counsel, or another professional accountant
  - If can't get to acceptable level, decline services or withdraw from the relationship
- Disclose a conflict of interest (if at acceptable level)

## Embezzlement – The Sharpers

- Anthony Sharper, CPA and his wife Deana Sharper were involved with a Charlotte area high school booster club
  - Anthony was interim President and Treasurer
  - Deana ran the concession stand and school store
- Embezzled over \$200,000 from a Charlotte high school booster club – from 2017-2020
  - Writing checks to themselves
  - Wiring funds to themselves
  - Using club debit/credit cards to pay for personal expenses

## Embezzlement – The Sharpers

- Did not pay tax on embezzled income = two counts of tax fraud!
- How did they cover the theft?
- A fake PPP loan of \$230,000
- Some reimbursed the booster club, some was used personally

## Charges

- Wire fraud
  - Maximum penalty of 20 years in prison and a \$250,000 fine.
- Two counts of making false statements to a financial institution
  - Maximum prison term of 30 years and a \$1 million fine per count
- Making a false statement to SBA
  - Maximum statutory penalty is 30 years in prison and a \$1 million fine
- Two counts of engaging in monetary transactions in criminally derived property
  - Maximum prison term of 10 years and a \$500,000 fine per count
- Two counts of filing a false tax return
  - Maximum penalty of three years in prison and a \$250,000 fine per count.
- Their attorney, "They are very nice people and as the legal process runs its course, everybody will find out more."

## What do you think? Embezzlement is more common at?

- A. Large companies
- B. Small companies

- HISCOX, a specialty insurance company, found in a 2016 study that 80 percent of embezzlement occurred at small businesses (defined as those with less than 150 employees).



## Jasiel F. Correia – a rising star

- In 2012, at the age of 19, Jasiel designed an app to connect local businesses with consumers
- Decided to run for office. “I’m a product of Fall River. I’m young, I’m ambitious and I’m a hard worker. I want to see myself and Fall River succeed.”
- Became Mayor of Fall River, Massachusetts, a city with a population of about 100,000, at the age of 23

## Jasiel F. Correia – a fallen angel

- Raised \$360,000 from investors and used 2/3 to fund personal lifestyle and to fund his political campaign
- Refused to provide financials to investors, gave false positive updates
- Became Mayor in 2016 (Age of 23), accepted bribes in exchange for non-opposition letters to marijuana vendors
  - Letters required under state law to operate a marijuana business
  - Solely responsible for approving non-opposition letters

## Jasiel F. Correia – the fallout

- In 2021, convicted of 21 total counts of wire fraud, four counts of filing false tax returns, four counts of extortion conspiracy and four counts of extortion.
- “Eventually, the real truth will come out,” Mr. Correia said. “I will be vindicated, and my future will be very long and great.”
- Sentenced to 6 years in prison and 3 years supervised release
- April 2022: Reported to prison

## 18 U.S. Code § 201 - Bribery of public officials and witnesses (selected language)

- Whoever directly or indirectly, corruptly gives, offers or promises anything of value to any public official with intent to influence any official act...
- Whoever being a public official directly or indirectly, corruptly demands, seeks, receives, accepts, or agrees to receive or accept anything of value personally or for any other person or entity, in return for being influenced in the performance of any official act...
- Shall be fined under this title or not more than three times the monetary equivalent of the thing of value, whichever is greater, or imprisoned for not more than fifteen years, or both

## Comments from government authorities

- “Jasiel Correia was a corrupt and deceitful politician who could only be stopped by federal prosecution. Now he is a felon and will be a federal inmate.”
- “Jasiel Correia’s conscious decision to fleece investors, extort hundreds of thousands of dollars in bribes, and cheat on his taxes has now cost him his freedom. He has proven to be a pervasive liar who has shown absolutely no remorse or empathy for his victims, and today he has been held accountable. Sadly, his actions have further eroded the public’s trust in government, and deeply hurt the citizens of Fall River.”

## How could these have been avoided?

- Oversight, approvals, segregation of duties
- Avoid Pressures
- Avoid Opportunities

## Key Takeaways

- Understand the relevant rules and perspectives of others
- Discuss your decision with others who don't have a stake in the outcome
  - Assume your decision will be discovered
  - Focus on the long-term
- Document your decision and support for your position
- “Ethics is knowing the difference between what you have the right to do and what is right to do.” – Potter Stewart, former Associate Justice of the U.S. Supreme Court